United Nations E/2005/SR.5

Economic and Social Council

Provisional

23 May 2005

Original: English

Special high-level meeting of the Economic and Social Council with the Bretton Woods Institutions, the World Trade Organization and the United Nations Conference on Trade and Development

Provisional summary record of the 5th meeting
Held at Headquarters, New York, on Monday, 18 April 2005, at 9.30 a.m.

President: Mr. Akram ..... (Pakistan)

Contents

Special high-level meeting of the Economic and Social Council with the Bretton Woods Institutions, the World Trade Organization and the United Nations Conference on Trade and Development

Corrections to this record should be submitted in one of the working languages. They should be set forth in a memorandum and also incorporated in a copy of the record. They should be sent *within one week of the date of this document* to the Chief, Official Records Editing Section, room DC2-750, 2 United Nations Plaza.

05-31286 (E)

The meeting was called to order at 9.40 a.m.

Special high-level meeting of the Economic and Social Council with the Bretton Woods Institutions, the World Trade Organization and the United Nations Conference on Trade and Development

Statement by the President

1. **The President** said that 2005 was a year of great potential and promise for the advancement of the global development agenda. The preparatory process for the review of implementation of international development goals, including the Millennium Development Goals, at the September Summit was under way. Discussion on the recommendations in the report of the High-level Panel on Threats, Challenges and Change and in that of the Millennium Project had acknowledged the nexus between security and development. Those reports presented a practical plan to achieve the Goals, and provided hope that eliminating hunger and poverty was achievable. The report of the Secretary-General "In larger freedom: towards development, security and human rights for all" was another important input to the preparations for the Summit.

2. In order to stimulate discussion, a matrix of development recommendations contained in the Secretary-General's report, the Millennium Project report and the Global Monitoring Report 2005 was being circulated. The outcome of the meeting should make a useful contribution to the preparations for the September Summit.

Statement by the Secretary-General

3. **The Secretary-General** said that, thanks to the major United Nations conferences of the 1990s, there was a shared vision of the issues of aid, debt, trade and development. In the three years since the Monterrey Conference on Financing for Development, the approach to those issues had coalesced around the Millennium Development Goals.

4. The coming months offered a unique opportunity to make real changes in the international system that could make the world freer, fairer and safer for all its inhabitants. The series of international meetings on development financing that would take place should be seen in the broader context of the agenda for the United Nations Summit in September, which would bring together a whole range of vital commitments.

5. Those commitments must come from both developing and developed countries. All developing countries must commit themselves to sound, transparent and accountable national strategies for mobilizing all their resources in the fight against poverty. All donor countries must commit themselves to timetables for reaching the target of 0.7 per cent of GDP for official development assistance, with front-loading through an international finance facility or other mechanism and an active search for new sources of finance and new ways to ensure that the developing countries' debt burden was genuinely sustainable. A commitment to complete the Doha Round, with its promised focus on development and market access for all exports from least developed countries, was also needed, along with specific commitments to address the special needs of Africa and to explore ways of mitigating the effects of climate change.

6. The world would not enjoy development without security, nor security without development, and neither could be enjoyed without respect for human rights. That was why he had proposed a comprehensive agenda, giving equal weight and attention to those three great purposes of the United Nations, all of which must be underpinned by the rule of law. That agenda would have to be agreed through negotiations among States, and these negotiations would have to be conducted in a spirit of give and take.

7. He hoped that Member States would be galvanized, not only by the self-evident urgency of taking steps to deal with poverty, terrorism and the spread of deadly weapons and deadly disease, but also by a sense of the unique opportunity the year presented.

8. Both on the development side and on the security and institutional side, there was a widespread sense of "if not now, when?". The reports of the Millennium Project and of the High-level Panel, taken together with his own report, had aroused wide expectation that the time for momentous decisions had arrived.

9. The September Summit to review progress since the Millennium Declaration would be the ideal moment to take those decisions. The Declaration had laid out shared objectives across the whole spectrum of common concerns. The Summit provided the perfect deadline for world leaders to bring together the work of

their representatives in different forums and enshrine it in a form stamped with their unique authority. The stakes could scarcely be higher, and he urged the international community to plan its work with that deadline, and that opportunity, in mind.

Statements by intergovernmental organizations

10. **Mr. Manuel** (Chairperson, Development Committee and Finance Minister of South Africa) said that the Monterrey Consensus had elaborated a new partnership between developing and developed countries and their institutional partners and set out strategies and actions needed for success. The Development Committee had signalled its intention to play an active role in moving the implementation agenda forward. It strongly reaffirmed its commitment to the global effort to reduce poverty in developing and transition countries and to achieve the Millennium Development Goals.

11. The Global Monitoring Report provided an assessment of how close countries and regions were to achieving their Millennium Development Goal targets. While progress had been made on many fronts including, in particular, important gains in reducing income poverty, based on current trends, it appeared that most countries would not meet most of the Goals. In fact, without urgent intervention, the countries in sub-Saharan Africa were unlikely to reach the targets before 2169. The Committee had called for all parties urgently to accelerate progress.

12. Sustainable and inclusive growth must be accelerated in many developing countries. Macroeconomic stability was critical, as was strengthened public sector financial management, the promotion of good governance, combating corruption, the rule of law, improvement of the business climate and development of local financial markets so as to enable growth led by the private sector.

13. The Committee had endorsed the emphasis on country-led development strategies and had urged that the Goals should be operationalized through poverty reduction strategies in low-income countries and through national strategy frameworks in middle-income countries. Meeting key development goals would require substantial increases in funding of education, health and basic services, including water and sanitation. The Committee had noted with concern that the target for achieving gender parity in primary and secondary education had not been met, and it had called on bilateral donors and multilateral agencies to provide timely, predictable and sustained financing to support those efforts.

14. The Committee had underscored the importance of an ambitious outcome for the Doha Development Agenda and of successful completion of the negotiations in 2006 and had stressed the need for "aid for trade". Financing the Development Agenda remained a significant challenge, requiring sustained action on domestic resource mobilization, private investment and trade. Although developing countries had made some progress, their efforts would have to be complemented by their development partners. A significant increase in aid to accelerate progress towards the Millennium Development Goals would also be needed.

15. The Committee had noted the agreement on a joint forward-looking framework for assessing debt sustainability in low-income countries and had welcomed recent proposals for additional debt and debt-service relief beyond the Heavily Indebted Poor Countries (HIPC) Initiative. It had noted that negotiations on the proposed pilot International Financing Facility for immunization were well advanced and had stressed the importance of further action by multilateral development partners, including support for the poverty reduction strategy process in low-income countries, aligning assistance with medium-term country strategies, streamlining conditionality, building institutional capacity and strengthening the focus on results.

16. The Committee had welcomed the Paris Declaration on Aid Effectiveness, which responded to an earlier call to make firm commitments on the quality of aid, had noted the agreement on quantitative indicators and had urged the establishment of targets for each indicator for 2010.

17. Enhancing the voice and participation of developing and transition countries in international economic policy decision-making and norm setting continued to be an important issue. Progress could only be made through broad consensus at the political level.

18. **Ms. Whelan** (President, Trade and Development Board, United Nations Conference on Trade and Development) said that the role of the United Nations Conference on Trade and Development (UNCTAD) in the implementation of the Millennium Development Goals was to maximize the contribution of trade to

development through consensus-building, research and policy analysis and technical assistance.

19. It was estimated that developing countries could gain up to $300 billion annually from trade liberalization in agriculture, manufacturing and services. The major gains from the Doha Round were likely to accrue to developing countries, primarily to those with a competitive advantage. The challenge was to ensure that the least developed countries were not left behind. Regional trade disparities were striking; for example, the share of Africa in world trade had fallen significantly since the 1980s. Most African countries depended on two to three primary commodity exports for most of their foreign earnings; accordingly, any instability in short-term commodity prices directly affected their performance and overall indebtedness. For the trading system to complement efforts to meet the Millennium Development Goals, it must become an instrument to accelerate growth and development and fight poverty. Goal 8 included a commitment to an open, equitable, predictable and rule-based multilateral trading system. That would require continued integration of development considerations into the workings of the multilateral trading system. While she believed that the political will existed to achieve the promises made in the Doha Declaration, a successful conclusion of the Doha Round in 2006 would be but the beginning of the process. All countries and regions must be in a position to exploit trading opportunities.

20. Since the 1980s, the least developed countries had accounted for under 1 per cent of world trade. If current trends continued, the number of people living in extreme poverty in those countries could rise from 334 million in 2000 to 471 million in 2015. In its 2004 Least Developed Countries Report, UNCTAD had pointed out that the link between expanding trade and reducing poverty was neither simple nor automatic: although the least developed countries' national economies were connected with the world economy, the lives and livelihoods of their people remained remote from it. As a result, the potential of trade for reducing poverty remained unfulfilled in most least developed countries. National development strategies — including trade objectives — must be made more coherent, the international trade regime must be improved and international assistance to develop production and trade must be increased and made more effective.

21. To support growth, the least developed countries need not only to increase exports, but also to link exports more closely with their domestic economies. International trade could not help to reduce poverty in countries where investment was not high or effective enough to support sustained economic growth. The 2004 Least Developed Countries Report singled out three conditions for a better trade-poverty relationship in the least developed countries: the emergence of local entrepreneurs, greater and more effective international financial support and technical assistance, and a lasting way out of the debt problem.

22. The international community must also change its approach, and come to regard developing countries as consumers as well as producers: South-South exports and investment were growing at rates that exceeded international rates. However, the pattern was uneven: two thirds of South-South trade took place in Asia. Elsewhere, the traditional flow was still from South to North. The least developed countries were at risk of growing marginalization: their trade deficit with other developing countries had grown from $5.6 billion in 1990 to $15.6 billion in 2002.

23. The best way for UNCTAD to promote the Millennium Development Goals was to integrate their trade and development aspects into its work and remain aware that trade and other issues must be addressed together.

24. **Mr. Carstens** (Deputy Managing Director, International Monetary Fund) recalled that the International Monetary and Finance Committee, meeting on 16 April 2005, had predicted continued robust global growth in 2005, but warned of increased risks from widening imbalances between regions, volatile oil markets and rising oil prices and of the possibility of sharper-than-expected rises in long-term interest rates. All countries must take advantage of current favourable economic conditions to address key risks and vulnerabilities. In particular, as conditions on the oil market would remain difficult, efforts should be made to remove disincentives to investment in oil production and refining, to promote energy sustainability and efficiency, to establish closer dialogue between oil exporters and importers and to improve oil market data and transparency.

25. Poverty reduction must remain at the top of the international agenda. Despite their strong growth and improved macroeconomic stability, most developing

countries would fall far short of the Millennium Development Goals. Accordingly, they would have to strengthen the investment environment and foster private-sector-led growth by implementing reforms, with support from the international community through a commitment to increasing and improving financial and technical assistance, debt relief, better remittance flows and better market access. Successful and ambitious multilateral trade liberalization was central to sustained global growth and economic development.

26. The Global Monitoring Report for 2005 had confirmed that developing countries and their partners must take bold action to implement the Millennium Development Goals. The forthcoming high-level plenary meeting of the General Assembly would provide an important opportunity to review progress and chart future action. The role of IMF was critical. It was working to improve the Poverty Reduction Strategy (PRS) and Poverty Reduction and Growth Facility (PRGF), and to enhance their alignment with each other.

27. The International Monetary and Finance Committee hoped for suitable financing of the Facility and other IMF instruments to assist low-income countries. It welcomed the joint IMF-World Bank note on progress on innovative sources of development financing, including the International Finance Facility (IFF) and Millennium Challenge Account. It had noted the progress made in debt relief under the Heavily Indebted Poor Countries (HIPC) Initiative, and encouraged countries to take the necessary actions so that they could benefit from it. It supported the joint IMF-World Bank framework to help low-income countries' efforts to achieve and maintain debt sustainability while pursuing their development objectives.

28. The International Monetary and Finance Committee indicated that IMF should: enhance the effectiveness of its surveillance and work to promote financial stability and reduce vulnerabilities; consider whether to introduce new instruments or alter existing instruments in order to meet the needs of its members; help low-income countries in their efforts to reduce poverty and achieve strong, sustainable growth; and enhance its own effectiveness and credibility as a cooperative institution by ensuring that all members had a voice and that the distribution of quotas reflected developments in the world economy.

29. **The President** recalled that the six round-table discussions due to follow the meeting of the Council would focus on the theme "Coherence, coordination and cooperation in the context of the implementation of the Monterrey Consensus: achieving the internationally agreed development goals, including those contained in the Millennium Declaration".

The meeting rose at 10.30 a.m.

United Nations E/2005/SR.6

Economic and Social Council

Provisional

25 May 2005

Original: English

Special high-level meeting with the Bretton Woods institutions and the World Trade Organization and the United Nations Conference on Trade and Development

Provisional summary record of the 6th meeting
Held at Headquarters, New York, on Monday, 18 April 2005, at 2.45 p.m.

Chairman: Mr. Akram ..... (Pakistan)

Contents

Reports by the six Chairpersons of the Round Tables

Statements by representatives of civil society and business sector

Exchange of views among participants

Concluding comments by the President of the Council

Closure of the special high-level meeting

Corrections to this record should be submitted in one of the working languages. They should be set forth in a memorandum and also incorporated in a copy of the record. They should be sent *within one week of the date of this document* to the Chief, Official Records Editing Section, room DC2-750, 2 United Nations Plaza.

05-31289 (E)

The meeting was called to order at 3.15 p.m.

Reports by the six Chairpersons of the Round Tables (E/2005/50 and A/59/719-E/2005/12)

1. **Ms. Jämtin** (Observer for Sweden), Chairperson of Round Table A, said that speakers had stressed the importance of more and better aid and debt cancellation and had discussed the danger of the "brain drain" turning into an "aid drain". They had agreed that more development assistance should be directed at fragile States and be focused on employment and that it was better to use aid to build government structures rather than waiting until the government was in place.

2. Good governance was a precondition for ownership at the country level, which was a precondition for development. Property rights could empower the poor, and the private sector was an important factor in job-creation, growth and poverty reduction in general. The discussion had touched on the need for better articulation in private sector initiatives and international instruments to help countries to deal with external shocks and the obvious need to fight corruption.

3. Strong participation by States and the Bretton Woods institutions in the follow-up to the Monterrey Conference, to be held in June, would be critical to poverty reduction.

4. **Ms. Wakana** (Observer for Burundi), Chairperson of Round Table B, said that there had been general agreement on the need to build momentum towards the September summit. Policies should be strengthened to deliver aid more effectively and, in implementing the Millennium Development Goals, countries must tailor strategies to their specific needs. Long-term vision of the Goals required medium-term planning and action. Some speakers had stressed that it was hard for developing countries to prioritize their needs, and had expressed concern at the recent shift to human capital development at the expense of infrastructure.

5. On the domestic front, much more weight must be given to the creation of productive jobs in order to meet the poverty-reduction target and investment policies should focus on self-employment and microenterprises, which generated the most jobs. Private sector activity could be improved by decreased regulation.

6. It had been widely agreed that attainment of the Millennium Development Goals would require extra resources and greater coordination among international financial institutions. Countries with special needs required greater attention. Furthermore, there was a crucial link between trade and development, and participants had supported a non-discriminatory, multilateral trading system and a successful conclusion of the Doha agenda. Urgent action was needed to close the gap between the commitments made at United Nations conferences during the last 15 years and their delivery.

7. **Mr. Fernando Canales Clarion** (Mexico), Chairperson of Round Table C, said that participants had agreed that there was no common solution for all countries and that policies must be designed to promote "intelligent free trade". In preparation for the World Trade Organization meeting to be held in Hong Kong later in the year, countries must agree to reduce tariffs and agricultural subsidies. It was important to increase national production capacities and promote exports, especially in Africa. Public and private banking and financial institutions must be expanded to encourage investment, particularly in countries with lower capital levels. Foreign direct investment was not the only means, the African stock market offered excellent opportunities. In addition, the rule of law and a reasonable expectation of profitability were essential to attracting private investors.

8. Remittances sent to families could be invested not only to raise recipients' living standards but also to create new businesses, thereby contributing to development. They should be combined with Government contributions to strengthen infrastructure.

9. **Mr. Deutscher** (World Bank), Chairperson of Round Table D, said that developing countries must be given preferential treatment and adequate technology to help them adjust to the impact of trade liberalization. Volatile currency markets greatly impeded developing countries' ability to reduce foreign currency reserves and increase private capital flows. Large foreign reserves meant resources diverted from development. Solutions included floating exchange rates and increased borrowing in local currencies to reduce the risk of financial crises owing to currency mismatches. Infrastructure development should be accorded priority and remittances should be increased.

10. An enabling environment for business was needed to generate public-private partnerships. A favourable regulatory environment, good infrastructure and the rule of law, were all critical for foreign investment. Multilateral institutions could play a key role in assisting the private sector by providing advice and capacity-building in relevant areas.

11. **Mr. Scholar** (International Monetary Fund/World Bank), Chairperson of Round Table E, said that participants had stressed that countries must honour their commitment to meet the 0.7 per cent target for official development assistance and must set timetables in that regard. In addition, investment flows must provide sufficient resources to finance the Millennium Development Goals. Aid effectiveness could be enhanced through stable, predictable, long-term financing; harmonization; and increased focus on development results. Aid flows must be managed in such a way as not to disrupt private credit and investment; the International Finance Facility (IFF) offered a way of front-loading resources to help countries to meet the Goals. Aid flows could be complemented through global taxation. Participants had welcomed two private pilot projects, one of which concerned a tax on airline tickets that would be applied nationally and coordinated internationally; the other was a plan for universal immunization of children put forward by IFF.

12. Lastly, there had been strong calls for additional debt relief beyond the Heavily Indebted Poor Countries (HIPC) Debt Initiative. Participants had emphasized the importance of mobilizing new resources; the need to ensure equity among countries by taking account of the differing requirements of HIPC countries and heavily indebted non-HIPC and middle-income countries; and the desirability of a linkage with good governance and strong domestic policies. They had stressed the need for an adequate level of grants to complement debt relief, measures to address IMF debt and an international debt arbitration mechanism and had pointed out that debt relief alone could not meet developing countries' needs for financing for development. Speakers had expressed a strong sense of urgency and many had stated that there was a clear set of proposals and that they must now be acted on. There had been scepticism, however, about the ability of the international community to deliver on the commitments made.

13. **Mr. Alyahya** (World Bank), Chairperson of Round Table F, said that participants from developing countries had stressed the need to improve governance and infrastructure, increase growth, enhance absorptive capacity and domestic resource mobilization, and address the issue of debt sustainability in middle- as well as low-income countries. Participants from developed countries had underscored the significant role of trade and market access as sources of financing for development, the need for enhanced capacity-building by donor countries and multilateral institutions, and the importance of addressing the major imbalances in the global economy.

14. All had agreed that ODA must be increased and that the target of 0.7 per cent of gross national income (GNI) dedicated to ODA was reasonable. Speakers had emphasized that natural disaster relief must be additional to financing for development. Likewise, there had been agreement on the need for further debt relief, which must supplement, not replace, ODA. The proposals for additional sources of financing for development had met with both support and criticism. Concern had been expressed about the difficulty of reaching agreement on such mechanisms and about the cost of developing and implementing them; the two pilot projects had been welcomed as a means of addressing those concerns. Participants had welcomed the Paris Declaration on Aid Effectiveness, while calling for further progress in the area of harmonization. Although they had agreed on the need to enhance co-financing mechanisms, they had been unable to advance the debate on the respective merits of grants and loans.

Statements by representatives of civil society and the business sector

15. **Ms. Griesgraber** (New Rules for Global Finance Coalition), speaking also on behalf of the International Facilitating Group on Financing for Development and the NGO Working Group on Financing for Development, said that she wished to highlight the major areas of concern for civil society organizations. First, a significant increase in aid flows was needed, since current levels of ODA were well below those required to achieve the Millennium Development Goals. Accordingly, the commitments made at the International Conference on Financing for Development (Monterrey, 2002) must be quickly translated into reality, and all donor governments must

promptly meet the target of 0.7 per cent of GNI for ODA. In addition, the initiative launched by President Lula da Silva of Brazil, including the proposal for new global taxes, must be rapidly implemented.

16. International private capital flows were also essential. Currently, foreign direct investment (FDI) was concentrated in a few countries and was highly volatile. Such volatility could be reduced through prudent regulation, capital controls, anti-trust laws and performance requirements, which must be accompanied by surveillance and enforcement mechanisms. Links between FDI and local labour markets, including those of the informal economy, must be strengthened to ensure that FDI resulted in gainful and decent employment, training and the transfer of technology to recipient countries.

17. The debt sustainability frameworks elaborated by the Bretton Woods institutions failed to integrate poverty reduction as a core objective. Moreover, by imposing untenable loan conditions, they undermined national development processes, leading to deeper poverty and inequality. She therefore welcomed the Secretary-General's call for debt sustainability to be redefined as the level of debt that allowed a country to achieve the Millennium Development Goals and his recognition that, for some HIPC countries, that would require exclusively grant-based finance and 100 per cent debt cancellation (A/59/2005, para. 54). The sale of IMF gold reserves could fund such an initiative. There was also a need to review the process by which debt sustainability was analysed. In that connection, she expressed support for the separation of the debt sustainability analysis function from lending decisions. In addition, the appropriateness of the Country Policy and Institutional Assessment used by the World Bank to arrive at debt thresholds must be reconsidered. Heavily indebted non-HIPC and middle-income countries also needed significant debt reduction. The current arrangements were ad hoc and must be replaced by an orderly debt-workout mechanism.

18. With regard to trade, the global regime was not currently evaluated in terms of its contribution to the achievement of the Millennium Development Goals, and the international financial institutions had insisted on one-sided trade liberalization that did not guarantee growth or poverty reduction. A particular concern was the vulnerability of commodity-dependent low income countries to price and earnings instability. In that context, she strongly supported the recommendation of the Commission for Africa for a special facility to provide grant relief to developing countries when exogenous shocks decimated commodity prices. The elimination of agricultural subsidies in developed countries would help to address the problem of oversupply.

19. Governance of the international financial institutions must be based on the principles of participation and transparency. In particular, developing countries and countries with economies in transition must have a stronger voice and a larger share of the votes on the IMF and World Bank Boards, and the severe underrepresentation of African countries must be addressed. Board decisions and minutes of Board meetings must be made public. Similarly, decision-making in the World Trade Organization must be inclusive, transparent and adhere to clear rules.

20. NGOs were actively involved in the implementation of the Millennium Development Goals and must be able to participate fully and effectively in the five-year review of the outcome of the Millennium Summit, including the high-level round tables. The Economic and Social Council was in a unique position to provide the ongoing high-level political leadership necessary for the implementation of the Goals and of the Monterrey Consensus and its role should therefore be strengthened. The Council, for its part, should expand the special high-level meetings to allow greater civil society participation.

21. **Ms. Cattaui** (International Chamber of Commerce) said that one area on which business involvement in the follow-up to the International Conference on Financing for Development had focused was the development of local capital formation, local enterprise and investment. Mobilization of domestic resources for development must continue to be a central focus of attention because private domestic capital formation was the largest source of new investment in developing countries.

22. A domestic environment that encouraged and supported private sector growth also attracted foreign investment. The basic elements must therefore be swiftly put in place. Reducing costly, time-consuming and pointless bureaucratic obstacles was essential. In addition, governments must facilitate savings and investments by individuals, companies and communities. An excessively large informal sector could constitute a drag on development. Given the

strong correlation between inappropriate, overburdensome regulation and the concentration of resources in the informal sector, reducing such regulation must be a primary objective of public policy. Also, without a legally integrated property system, citizens of developing countries could not convert their work and savings into capital.

23. While the traditional emphasis in development had been on macroeconomic and political conditions, it was also necessary to focus on the microeconomic environment in individual countries and to consider whether local regulatory regimes and policies created conditions conducive to the establishment of businesses and thus of jobs and wealth. Encouraging domestic private entrepreneurship and investment was particularly important in countries where the prospects for attracting significant foreign investment were slight owing to such impediments as inadequate infrastructure, fragmented markets, limited capacity and a lack of natural resources. In such cases, attention to the domestic environment was essential.

Exchange of views among participants

24. **Ms. Schmögnerová** (Executive Secretary of the Economic Commission for Europe), speaking on behalf of the regional commissions, said that she would emphasize the importance of the regional dimension in fulfilling the commitments made in Monterrey and at the Millennium Summit. There was a need for coherence and consistency between monetary, financial and trade policies not only at the global but also at the regional level. Regional initiatives to prevent crises and promote trade, investment and financial cooperation must be encouraged and expanded, as must cooperation between the Bretton Woods institutions and regional development banks and regional commissions, while countries must be supported in integrating a regional perspective in their policy consideration.

25. She also wished to draw attention to the increased vulnerability of developing and transition economies to the external shocks of globalization. That phenomenon reflected significant structural weaknesses in those economies caused by their high dependence on commodities exports. Another problem was the loss of competitiveness associated with real exchange appreciation, which was becoming a burden on producers, thereby choking domestic economic development. The solution lay in diversification, which was a prerequisite for sustainable development and poverty reduction.

26. While the role of intraregional trade was increasingly recognized, it had not yet been fully developed. In addition, recent developments in multilateral trade negotiations and the volatility of capital flows constituted a new challenge to regional integration. Despite some progress in the 1990s, lately bilateral North-South agreements had proliferated at the expense of intraregional agreements. The gains in terms of access were self-evident. However, such agreements also generated administrative costs and incorporated non-trade elements, the benefits of which were less clear. In that connection, the institutional capacity of developing countries to manage free-trade agreements must be strengthened. As globalization progressed, revenues from international trade taxes would inevitably decline and there would be a need to consider how to compensate for those losses. She trusted that the issue would be taken up by the Committee of Experts on International Cooperation in Tax Matters established by the Council.

27. As the representative of civil society had stated, in some regions the bulk of investment was concentrated in a few countries. Greater intraregional and interregional cooperation was necessary to secure wider distribution of investment resources and create the necessary enabling environment. She had noted an increase in tax competition among countries seeking new and higher-quality investment. That approach was not helpful, and further policy initiatives were needed to address the problem.

28. **Ms. Morrison** (Jamaica), speaking on behalf of the Group of 77 and China, said that globalization, and the interdependence it engendered, required effective governance focusing on democratization of international economic decision-making; integrated consideration of trade, finance and development issues; reform of the international financial architecture; and establishment of a strong surveillance and regulation mechanism. Policies and strategies for attaining internationally agreed development goals must uphold the principles of good governance at all levels and take account of the fact that there was no single sustainable model for development.

29. In order to mobilize development resources urgent action was required on trade, investment and financial flows through the creation of an open, rule-

based multilateral trading system — including policies to enable developing countries to participate in, and fully benefit from, world trade — and through the development of mechanisms to promote private and foreign direct investment in, developing countries. The 0.7 per cent target for official development assistance (ODA) should be met as a matter of priority. Generating additional development resources for the attainment of development goals was also important. While endorsing efforts to identify alternative sources of funding, she emphasized that such alternative sources must be in addition to ODA and not impose additional burdens on developing countries. There was also an urgent need to enhance the effectiveness of development assistance by improving delivery mechanisms and reducing transaction costs.

30. Turning to the issue of debt, she hoped that further action would be taken towards adopting a development-oriented solution to the debt problems of developing countries, through total debt cancellation, increased concessional financial flows, grants and debt-for-sustainable-development swaps, and that greater consideration would be given to the impact of public sector debt on developing countries' capacity to utilize development assistance and mobilize resources on the private capital market. Another important issue was the relationship between growth and employment; she called for a greater focus on the phenomenon of jobless growth, for innovative ways of engaging those in productive activities, including in the informal sector and for policies on the movement of semi-skilled and unskilled labour. Lastly, it was clear from discussions that significant progress could be achieved only if States had the political will to implement their collective commitments.

31. **Mr. Hoscheit** (Observer for Luxembourg), speaking on behalf of the European Union, the acceding countries (Bulgaria and Romania), the candidate countries (Croatia and Turkey) and the stabilization and association process countries (Albania, Bosnia and Herzegovina, Serbia and Montenegro and the former Yugoslav Republic of Macedonia), said that the European Union was strongly committed to implementing the Millennium Development Goals. These could still be achieved by 2015, but only with a serious collective effort and commitment, including full implementation of the Monterrey Consensus. Developing countries needed to create an enabling environment based on good governance, optimal domestic resource mobilization and private sector development, while developed countries had responsibilities in the areas of ODA, trade and development, and debt.

32. The European Union had always promoted increased ODA. In the run-up to the International Conference on Financing for Development, it had made a commitment to spend 0.39 per cent of GDP on ODA by 2006 and it was now discussing new ODA targets for 2009-2010, with a view to meeting the 0.7 per cent target in 2015. It currently provided 55 per cent of global ODA. However, new sources of financing needed to be found. The European Union was exploring innovative financing mechanisms, such as the International Financial Facility (IFF), and welcomed the Secretary-General's proposals in that regard. It was also important to improve the quality and effectiveness of aid. At the recent High-Level Forum on Harmonization in Paris, the European Union, along with the other participants, had undertaken to improve the quality of its aid, streamline procedures and regularly measure national and global progress against agreed targets. Full implementation would require action aimed at harmonizing procedures and making aid more aligned with country-owned priorities, more predictable, less tied and more focused on States committed to development. There was also a need for greater policy coherence.

33. Turning to trade, the European Union remained fully committed to a universal, open, equitable, rules-based and non-discriminatory trading system and to a successful Doha Development Round. It also remained committed to finding solutions to unsustainable debt burdens and to the Heavily Indebted Poor Countries (HIPC) Debt Initiative, which had achieved substantial progress. However, it was also essential to address multilateral debt and the long-term debt sustainability of low-income countries. The latter was an essential condition for stability, growth and development, and debt relief provided long-term predictable financing for country-owned plans.

34. The European Union encouraged full private sector and civil society participation. It was deeply concerned about the lack of progress on the Millennium Development Goals in sub-Saharan Africa and was looking for new ways to take the development process forward. It welcomed the report of the Commission for Africa, which emphasized the important role played by the New Partnership for

Africa's Development (NEPAD). The region still had many challenges to face, one of them being HIV/AIDS; that would have to be tackled through the Millennium Development Goals and require a sustained increase in, and more efficient use of, resources. In that regard, he stressed the need to coordinate and harmonize international action and reiterated the European Union's commitment to combating the three main poverty-related diseases. Further efforts were also needed to improve governance through greater accountability, transparency and control of corruption in a strengthened public sector. There was a wide consensus on the need for more aid and for more predictable and stable resources. The implementation of the Millennium Declaration, the Millennium Development Goals and the Monterrey Consensus, as well as a strong commitment by Governments and international organizations to improve coordination and cooperation, was essential if any progress was to be made on lifting millions of people out of extreme poverty.

35. **Mr. Siv** (United States of America) said that his Government fully supported the Millennium Development Goals and the consensus reached in Monterrey and Johannesburg and agreed that good governance, human rights, a vibrant civil society, free markets and an entrepreneurial private sector were essential for sustained development. While primary responsibility for development lay with developing countries, developed countries also had a responsibility to support those efforts. President Bush had undertaken to increase United States ODA by 50 per cent by 2006; that objective had been reached by 2004. Indeed, the United States had provided a quarter of all assistance by developed countries that year. Its ODA to sub-Saharan Africa had tripled since 2000. More importantly, steps had been taken to ensure that such funds went to people in need and to States with a proven capacity to use them well. In 2004, his Government had established the Millennium Challenge Account, which would provide billions of dollars in the coming years to States that governed justly, invested in their people and maintained policies and institutions that supported market-led growth.

36. However, the United States did not believe that setting aid targets contributed in any way to overall development efforts for there was plentiful evidence that ODA was not the most critical constraint on development. While it represented a substantial sum, it was only a small fraction of total resources available to developing countries.

37. He endorsed the statements made by the representative of the International Chamber of Commerce and the Chairperson of Round Table F concerning the importance of better domestic resource generation, including measures to boost growth, build stronger national institutions and improve domestic tax collection. It was time to recognize that the world economy was driven by private finance and trade. While aid could help, real economic growth and poverty eradication could be achieved only if countries were enabled to tap those flows. Steps were therefore needed to open markets, enabling developing countries to mobilize the funding they required, and to create a favourable climate for market-led growth within developing countries. If such action was taken, there was a good chance that the international community could achieve the Millennium Development Goals, help developing countries escape from the "aid trap" and set out on the path towards a prosperous twenty-first century for all.

38. **Mr. Leroy** (France), welcomed the concluding comments of the Chairperson of Round Table E, and the point made earlier concerning the importance of increasing real cash transfers. While France certainly agreed with the need to increase official development assistance to the internationally agreed level of 0.7 per cent of gross national incomes, it believed that innovative forms of financing were also needed. In that regard, France welcomed the communiqué issued on 17 April 2005 by the Development Committee of the World Bank and the International Monetary Fund (IMF) concerning the technical feasibility of such mechanisms.

39. **Mr. Aho-Glele** (Benin), also referring to the discussions held by Round Table E, said that it was generally acknowledged that the world was very far from achieving the Millennium Development Millennium Goals. With regard to Official Development Assistance, a distinction should be made between development assistance and humanitarian aid. The former was intended to help least-developed countries develop their own structures and capacities and thereby generate their own resources. It should not be confused with humanitarian aid.

40. Lastly, it was quite wrong to propose, as some speakers had, that remittances from nationals of

developing countries living in developed countries should be regarded as development resources. Such resources functioned as a complement to the funding of social services in countries that were unable to provide adequate funding. To regard such remittances as development resources would be to encourage migration from least-developed countries to developed countries.

41. **Ms. Viotti** (Brazil) said that the representative of the United States of America was right to point out that the objective was to help countries overcome their dependence on aid. Achievement of the Millennium Development Goals would require a significant increase in development resources. The issue of innovative financing mechanisms had gained considerable momentum, as illustrated by the debate held during the high-level meeting and by the fact that it had been taken up by IMF and the World Bank. Brazil welcomed the support given by the Secretary-General to the Franco-Brazilian initiative on innovative sources of financing, notably with regard to achieving the Millennium Development Goals.

42. Further work was needed in order to bring the initiative to the implementation stage. It should be noted that the initiative did not propose global taxation mechanisms, but rather taxes that could be applied nationally and coordinated internationally. Innovative mechanisms made sense only if they were accompanied by improvements in traditional financing sources. Brazil would continue to seek broader political support for the initiative, to deepen its technical content and to work on pilot projects to demonstrate its technical feasibility.

43. **Mr. Lolo** (Nigeria) said that there was general consensus regarding the need to increase the level of Official Development Assistance to developing countries. Grants should not be used to clear the debt owed to multilateral financial institutions. Where debt cancellation was not possible, the alternative of debt swaps for sustainable development should be considered. With respect to the issue of debt, arbitration at the international level was one alternative, but the example of Iraq had shown that where there was political will, the problem of debt could always be resolved.

44. With respect to resource mobilization, the representatives of the United States of America and Brazil had been right to say that developing countries were primarily responsible for their own development. The United Nations Convention against Corruption offered a means to promote the mobilization of domestic resources. Progress should also be made regarding the issue of banking laws and the secrecy that surrounded them, particularly in advanced countries. Lastly, there should be more focus on the purpose of development, which was to provide a better life, in larger freedom, for people. Developing countries should be able to take real leadership and ownership of their development strategies, rather than having to meet criteria for receiving assistance, as was the case under the "country policy" and "institutional assistance" framework.

45. **Mr. Hachani** (Tunisia) said that although his delegation agreed with the importance of exploring innovative financing mechanisms, such mechanisms should not exclude an approach based on voluntary contributions and solidarity. In that regard, current efforts to achieve the Millennium Development Goals should take into account the World Solidarity Fund set up by his country.

46. **Mr. Viloria** (Observer for the Bolivarian Republic of Venezuela) said that his country had made significant strides towards fulfilment of the Millennium Development Goals, especially with respect to health, education and culture, by focusing on social missions and the participation of the people in those missions. Official Development Assistance should not be subject to the assessment criteria of developed countries or international financial institutions, because such an approach infringed upon countries' sovereignty. He stressed the need for increased participation by developing countries in the decision-making processes of multilateral financial organizations and for a sincere approach to the indebtedness, not only of poorer countries, but also of middle-income countries. Lastly, it was important that innovative financing mechanisms should contribute towards the elimination of poverty.

47. **Mr. Couto** (Mozambique) said that most poorer countries, especially those in Africa, had established clear objectives regarding the issues of poverty and development, aimed at their eventual integration into world markets, through the creation of trade relations and private investment flows, and an end to dependency on development assistance. If those countries asked for more aid, they did so because they faced real constraints. However, their basic

infrastructures would need to be transformed in order for their economies to be competitive and capable of adjusting to innovation; that process would require significant resources.

48. African countries recognized that they must become more effective and efficient, but in order to do so they needed resources with which to build human capacities. Given that the incidence of poverty was extremely high in African countries, it would not be possible to change the level of resources within a reasonable period of time without foreign resources. Unless developed countries understood that the development of poorer countries was also in their own interests, and that additional resources were required, it would be difficult to engage in successful dialogue.

Concluding comments by the President of the Council

49. **The President** said that the reports of the Chairpersons had demonstrated the breadth of the issues involved in promoting the internationally agreed Millennium Development Goals, illustrating the importance of national policies, short and long-term national ownership strategies, job creation and employment strategies, the absence of corruption, transparency, macro and microeconomic management at the national level, and capacity-building. At the international level, many important points had been raised, relating inter alia to equity, transparency and the development orientation of international global governance.

50. Participants had held very interesting discussions regarding the level and quality of Official Development Assistance, debt sustainability, innovative financing, national and international constraints to foreign direct investment, the importance of remittances, and the mobilization of domestic capital. These were all viable options. Participants had also recognized the importance of trade to development, growth and job creation; the need for developing countries to enjoy greater access to markets, agriculture, manufacturing and services and therefore the importance of concluding the Doha Round as soon as possible in 2006; the importance of capacity-building, and the need to stabilize commodity prices.

51. There was a wide measure of convergence on many issues. Some of them would have to be addressed in greater depth ahead of the high-level segment of the Council's 2005 substantive session, in order that action could be taken. Three elements were essential to that process, namely, continued cooperation and coordination between the United Nations, the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development (UNCTAD), as well as leadership from Member States themselves, a sincere determination to fulfil the commitments already made and a more conducive international macroeconomic environment in order that the development agenda could move forward.

Closure of the special high-level meeting

52. **The President** declared the special high-level meeting with Bretton Woods institutions and the World Trade Organization closed.

The meeting rose at 5.15 p.m.